

THE EMERGENCE OF REGIONAL SYSTEMS OF EMPLOYMENT RELATIONS: THE CASE OF THE EUROPEAN UNION

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The paper presents an overview of the present stage of development within the EU and compares, to a certain degree, its emerging industrial relations and employment relations with the situation in other, less integrated regional blocks. The paper looks at regional integration as represented by selected economic developments (like foreign direct investment, European Monetary Union, cost structures), by labour market issues (like changing principles of regulation, institutional and organizational arrangements at the macro and sectoral levels, social dialogues, European Works Councils, implementation problems) and by labour relations (social partners, differences in national systems, conflicting issues and interests).

1. INTRODUCTION

Within the ongoing, probably accelerating processes of 'globalisation', major nation states like Japan and the USA, and regional blocks like the European Union (EU), are of major importance. These regional, mutual alliances can either be mere trade agreements, such as NAFTA or APEC, not challenging the sovereignty of member states, or they can gradually develop into economic, social and political unions. The EU has, in comparison with all other regional blocks, reached the highest degree of internal cohesion.

Without doubt, the EU has become one of the most important economic blocks:

- a) Foreign direct investment (FDI) remains largely within this block (e.g. takes place more in other member countries than in other regional blocks (such as South-East Asia or North America)).
- b) Trade between member states has permanently increased over the last decades and has grown faster than trade with outsiders. Nowadays, more than 60 per cent of all exports of the present member states remain within the EU. This percentage has gradually but permanently increased over the years. Other figures indicate that exports to non-EU member states make up less than 10 per cent of GDP of all member states. This is about the ratio of trade within the USA.
- c) From an insider's point of view, the development of labour standards within the EU seems to be more important than the development of international labour standards. Spill-overs might occasionally happen but are not a priority.

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A more detailed empirical analysis of the development of IR within these new entities is urgently needed. Comparisons between these regional blocks are also necessary for a more thorough understanding of the new 'globalised' situation. The aim of this paper is to present an overview of the present stage of development within the EU and to compare, to a certain degree, its emerging IR and employment relations with the situation in other, less integrated regional blocks. The paper looks at regional integration as represented by selected economic developments, by labour market issues and by labour relations.

2. SELECTED ECONOMIC ASPECTS OF REGIONAL INTEGRATION

In the second half of the 1950s, the process of European integration began among the rather limited number of six countries (France, Italy, Germany, Belgium, Luxembourg, the Netherlands). Over several decades, the European Economic Community (EEC) developed first into a customs union and free trade area, then into a common market without any trade barriers (tariffs and quota restrictions). All internal barriers to the free movement of capital, labour, goods and services were gradually removed until the early 1990s.¹ Prior barriers with the rest of the world economy have definitely not been expanded; so-called clauses of preferential treatment have been granted to a certain number of outsiders (i.e. mainly developing countries). The fear of 'fortress Europe', occasionally expressed by non-members in the late 1980s and early 1990s, did not materialise. Since 1999, the EU has been a completely integrated economic area with a common currency, the Euro; separate national currencies (of originally 11 member states plus Greece that joined later), exchange rates, autonomous national monetary policies including devaluation options have ceased to exist.

The inclusion of further countries in the integration of Europe has been gradual. The so-called 'southern' enlargement took place in the 1980s (Greece, Portugal and Spain). In the mid-1990s, the present number of 15 members was reached after the so-called 'northern' enlargement (Austria, Finland, Sweden). The next, politically motivated step, the so-called 'eastern' enlargement, aims at the accession of Central and Eastern European countries (within the first wave, among others, Poland, Hungary, Czech Republic, Slovakia, Slovenia). It is expected to take place sometime after the year 2000.

2.1. Foreign direct investment

The ongoing public discussion deals more with the assumed economic and social effects of 'globalisation' than of 'Europeanisation'. We know that not only trade but also FDI has skyrocketed over the last two decades in quite different regions of the world and has grown faster than foreign trade and world-wide GDP.² German enterprises belong to the most important foreign investors surpassed only by their USA and UK counterparts. Major multinational companies (MNC) are 'global players', being of primary importance in regard to the export of capital.

Consequently, however, publicly made assumptions about economic growth and major job losses because of FDI (especially in South-East Asia and North America and, since the early 1990s, to a certain degree in eastern European countries) are surprisingly not in line with the results of recent research. Empirical

studies argue that different motives can and do foster FDI and quite differing labour market results are likely to occur (Henneberger & Graf 1997; Döhrn & Heiduk 1998):

— One major reason is the opening up of new markets or the continued presence in already existing and growing export markets. This kind of FDI does not lead to domestic job losses, quite the contrary (e.g. the creation of new jobs and the increase of competitiveness, is more likely to become true within processes of diversification).

— A second motive has to do with cost reduction, mainly lower labour costs (wage and non-wage), primarily in labour-intensive industries. Such cases could lead not only to enterprise-specific changes in the division of labour, but also to domestic job losses.

— A third, less important group of reasons include easier access to resources (like raw materials or technological know-how) as well as the avoidance of fluctuating exchange rates. Securing employment or even the creation of new jobs at home are the likely consequences.

Above all, domestic job losses is one possible, but definitely not the only motive, reason or consequence of FDI. The overall net effects are not necessarily major job losses due to economic integration; quite the opposite and an increase in competitiveness seem to be true. Structural changes at home are an important consequence. Furthermore, it has to be taken into account that exports and FDI develop into the same direction. The most important sectors next to manufacturing are services and finance. Generally, it seems to be impossible to quantify effects leading in different directions.³

2.2. *The European Monetary Union*

In the wake of the political decision to launch the European Monetary Union (EMU), qualitative as well as quantitative predictions about the development of economic indicators (such as the number of jobs and/or employment effects in general) have been frequently made. Some scholars have argued that it was the completion of the internal market in the early 1990s and not the introduction of the common currency in the late 1990s which has constituted the main challenge. It is generally assumed within 'mainstream' economics that in the short and medium term, job losses are possible, at least in some industries of some countries, due to strict convergence criteria, greater transparency of cost as well as price structures and an increase of international competition. In the long run, however, the number of jobs is supposed to increase to some extent because of the completion of economic integration. This puts an end to exchange rate fluctuations, the possible enlargement of presently existing markets and higher competitiveness because of lower transaction costs.

Generally, however, overall employment effects of the EMU are yet unclear and should be rather limited (ILO 1998, 29). Aside from other factors, predictions depend on the assumptions and specifications of the models, short-term and long-term strategies, long-term interest rates and monetary policy. Expectations concerning employment effects should not be too optimistic (Ochel 1997).

One of the most frequently made predictions are that high wages in the northern member states will come under increasing pressure (Fröhlich *et al.* 1997). Existing wage differences within the EU (e.g. between the Mediterranean countries (Greece, Portugal, Spain) and the rest of the Community) could increase. Therefore, trade unions, some scholars and others (like members of the European Parliament—EP) argue that instruments of re-distribution (general social policy, structural funds, cohesion funds, among others) will remain important for the future social development. It is generally expected that, for reasons of increasing international competitiveness, further major steps towards rationalisation will take place at the level of the individual enterprise. The international division of labour and the specialisation of national economies will even increase.

Generally speaking, the EU is seen as creating new opportunities for foreign trade because of the complete abolition of all kinds of legal barriers (i.e. free movement of capital, labour, goods and services plus lower transaction costs and more transparency of all markets). This improvement refers not only to trade within the EU but also to at least some outside opportunities. Possible trends of diverting existing trade are not very likely to create a major problem or obstacle.

Since the mid-1980s, trade unions from Northern member states, in particular, have repeatedly argued that the danger of 'social dumping' of working conditions in general and of wages in particular has increased due to the accelerated process of economic internationalisation. Therefore, they have kept demanding more concerted efforts to create and strengthen the so-called 'social dimension' of the internal market (or *l'espace sociale de l'Europe* according to Delors' famous term) in order to narrow the considerable gap between the increasing economic and the stagnating social integration. Southern member states have argued just the other way around, expressing their own fears about losses of competitive advantages. At least so far it seems as if this fairly popular argument of a continued 'race to the bottom' threatening national welfare states has been overemphasized to a certain degree.⁴

The real consequences of the introduction of EMU are difficult to assess and to predict empirically (Siebert 1998). The most popular argument is that changes in the exchange rate mechanism cannot buffer shocks any more. Thus, collective bargaining, still taking place at the national level only, will have to become the major instrument of adjustment. This line of reasoning seems to be exaggerated because the majority of major European currencies had already been closely linked to each other for quite some time within the European Currency Union. Furthermore, asymmetric, sectoral shocks in specific regions have always been out of the realm of national monetary policy (e.g. devaluations). Last but not least, it could of course be argued that the option of devaluation creates only short-term advantages because it increases the rate of inflation as a consequence of higher import prices and can lead to higher wage demands.

The other possible mechanisms of adjustment are, of course, mobility of labour and transfer payments. All empirical data show, however, that, in contrast to other regional blocks like the USA, the degree of mobility (i.e. legal migration within the EU) has always been very low.⁵ This is the case despite the fact that freedom

of movement had already been introduced in the late 1960s and all legal barriers were removed throughout the 1970s and 1980s. The so-called interpenetration rate of national labour markets is below five per cent,⁶ and major changes are not very likely in the future. Thus, after the introduction of the EMU, labour mobility cannot serve as a substitute for the former devaluation option. Furthermore, different kinds of transfer payments (including so-called 'bail-outs') are strictly forbidden by the Treaty on European Union—and therefore excluded from the range of political 'opportunities and constraints'.

Limits for long-term (not more than 60 per cent of GDP) and short-term public deficits (less than three per cent of GDP) were set as necessary prerequisites for the entry into EMU. Later on, they became part of the so-called 'stability pact' securing the sustainability of the EMU conditions.⁷ These so-called fiscal convergence criteria are relevant for the overall employment situation in at least some sectors. The public sector and the construction industry are typical, rather different examples, because the exclusive or at least high public demand for specific kinds of labour will decrease due to strict spending limits. Others argue that necessary retrenchments in some areas have only been accelerated, but are definitely not caused by the convergence criteria—and would have been unavoidable anyhow because of high deficits in the past. The introduction of EMU increases, but definitely does not create the necessity of reforms in different social policy areas (like national pension schemes because of the changing age structures and employment composition of all western European societies).

The EU has, in contrast to other regional blocks, integrated all, and not only a specific selection of goods, services and/or industries of its member states. All kinds of protective measures to reintroduce tariffs or any other restrictions are legally impossible.⁸ Whether this encompassing strategy of 'liberalisation' of trade will result in a more complementary or a more competitive overall structure is difficult to predict. The majority of experts seem to argue in favour of the latter alternative. There are, of course, enormous differences between the industrial structure of, let's say, Finland, Greece and Portugal on the one hand, and the Scandinavian countries or even the rest of the Community on the other. At least so far, markets for goods have been more important than those for services. However, this situation might slowly change in the future.

Further rationalisation of the productive structure will remain the dominating effect within an intensified international division of labour. Tayloristic or Fordist production of standardised mass goods will continue to decline in importance in comparison with diversified production of high-quality goods and services ('flexible specialisation'). Within this structural change of the mode of production the number of low-paid jobs, requiring no or rather low skills, will continue to decline. More general and specific training as well as continuous training and retraining will be necessary to secure international competitiveness. Another likely assumption is that the introduction of EMU will lead to a higher degree of specialisation and division of labour between member states and could thus increase the danger of asymmetric shocks. Countries on the periphery of the community could be more severely hit than those in the centre.

2.3. *Cost structures*

Minimum labour cost structures show significant differences resulting not only from traditional national legislation, but also from more recent collective bargaining. There are considerable differences, roughly speaking, between the southern members (Greece, Portugal, and Spain, plus Ireland and the UK) on the one hand, and the northern member states on the other. These differences have remained relatively stable over time.

One group of scholars, arguing in a purely economic perspective, considers these differentials a major source of competitive advantages working in favour of the southern member states. According to this neoclassical view, all politically motivated measures to close these gaps would deprive this group of less advanced member states of their competitive advantages in a highly integrated supranational economy. They should, therefore, not be undertaken. Furthermore, all such attempts would create disincentives in the northern member states. From this neo-liberal point of view, it has also frequently been argued that 'rigid' wages (in contrast to the USA) should become more 'flexible' in order to react faster to changes of economic and general labour market conditions. Thus, unemployment, especially long-term unemployment, could either be avoided or at least decreased (Dohse *et al.* 1998).

Another group of (more institutionally oriented) scholars argues that additional factors also have to be taken into account: the existence of systems of vocational training, further training and retraining, the general system of education and the level of qualification of the labour force, stability and embeddedness of national IR systems, especially frequency of strikes and other labour conflicts, conditions of the political constitution and its stability over time, development of the infrastructure, national tax rules, among others. All arguments about pure compensation and cost structure must be supplemented by these additional, non-price factors which are of equal importance for production and investment (Franzmeyer 1998).

Some empirical studies try to quantify these differences solely on the basis of cost structures (Schröder 1996). All attempts to quantify the additional factors named above are extremely difficult to undertake. They usually show a more complicated picture than general neoclassical wisdom assumes. Because of lasting differences in the existence and development of productivity, significant differences in nominal wages will also remain necessary after the introduction of EMU. The only goal can be a certain gradual convergence of unit labour costs.

Results also differ when the developments of wage and non-wage labour costs are analysed separately; non-wage costs (primarily contributions to different social security schemes) which are mainly determined by legislation have increased faster. Furthermore, there are major differences between industries. Last but not least, the level of aggregation and analysis (micro, meso, macro) is of major importance (Hübner & Bley 1996).

In a broader and more realistic perspective, higher labour costs must not *per se* constitute a major disadvantage for the northern EU-member states. The impact of higher costs could be minimised or even equalised by higher productivity. When the productivity component (in terms of unit labour costs)

is incorporated, imbalances between countries still exist but are much smaller. However, as mentioned above, other factors do matter as well.

3. INSTITUTIONAL ARRANGEMENTS OF REGIONAL INTEGRATION AND LABOUR ISSUES

3.1. Changes of the principles of European regulation

The legislation of member countries differs to a significant degree. The northern and central member states (like the Scandinavian countries, Austria or Germany) have higher social and labour standards than their southern counterparts (again, Greece, Portugal and Spain plus the UK and Ireland). Extended discussions about a strict 'harmonisation' of different parts of labour legislation (not only the famous 'information and consultation' of employees) frequently took place throughout the 1960s and 1970s. However, the necessary institutional prerequisite, unanimity in the Council of Ministers, remained unattainable. Unanimous decisions in the political decision-making process of the EU proved impossible to achieve because no country wanted to give up its well-established institutional framework and its enshrined socioeconomic 'customs and practices'. Furthermore, strict 'harmonisation' of labour legislation would have meant a one-sided move of all other member states towards the upper end of the best or highest existing national regulation (like participation rights according to the German model of co-determination). From a southern perspective such steps and measures would have led to a loss of competitive advantages and were, therefore, completely unacceptable for their national economies.

Since the mid/late 1980s, prevailing concepts of regulation have changed in different regards. Nowadays, the vast majority of scholars argues that the old idea of strict 'harmonisation' of social standards is neither politically desirable nor economically necessary for integration. The nowadays dominating concept consists of the introduction of basic or minimum standards that have, at the national level, to be reached but which can voluntarily be surpassed at any time (like in the case of European Works Councils). The main idea is that supranational regulation should neither overcharge the southern member states nor lead to a leveling down of competitiveness from a northern perspective. These more recent concepts are, of course, less ambitious and less far reaching than their predecessors focusing on 'harmonisation'. They are, however, more realistic and easier to achieve because conflicts of interest are easier to settle.

Furthermore, there have been two obvious changes within the existing modes of regulation. One trend leads from 'hard law' (such as directives) to 'soft law' (such as recommendations, joint opinions and communications). Employers have, if at all, been in favour of the latter whereas unions have demanded stricter, more binding 'hard' regulation. EU members are obliged to reach certain goals commonly defined by the EU within a specified period of time but are free to choose their own means and instruments (legislative versus contractual options). European authorities (first of all, the Commission) evaluate and monitor only the results of the national level, but not the means and instruments leading to these results. The other trend stresses the definition of procedural regulation at European level and leaves the definition of substantial rules to the subordinate

levels. Thus, corporate actors at the lower, national, regional or even enterprise levels enjoy a considerable degree of freedom and room for political manoeuvring. The former variant predominates in more recent concepts whereas the latter was more relevant within the older ones (Keller 2001).

Most recent developments support the rather pessimistic assumption that even these minimalist concepts of supranational regulation are too ambitious and will be (or will have to be) replaced by a pure coordination of national policies and strategies. The new employment chapter introduced into the Amsterdam Treaty and its so-called 'employment guidelines' to be implemented by means of annual 'national action plans' at the national level provides most likely the most prominent example.

This approach would fit the general principle of subsidiarity that was revitalised and renewed in the Treaty on the European Union, the so-called 'Maastricht Treaty', in the early 1990s. It has been of major importance in different policy areas since then. In a nutshell, this principle favours private instead of public and decentralised instead of centralised models of decision-making. Processes of self-regulation initiated by the social partners are supposed to have more impact than in the past; legal regulation introduced by the Commission should be less frequent and less important. Solutions and responses should occur at the lowest possible level (enterprise, regional, sectoral or national instead of the supranational level). The appropriate instruments should be voluntarily concluded contracts and framework agreements instead of Directives ('soft' versus 'hard' regulation). In empirical perspective, however, the consequences of this neo-liberal approach in the post-Maastricht era have been far from being clear.

It is not obviously clear if quite different national laws governing 'labour and management' moved closer together because of EU membership. The famous old hypothesis of some universal trend towards convergence of organisational structures and regulatory rules within some general 'logic of industrialism' cannot be confirmed in the case of the EU. Specific national institutions and their according 'customs and practice' reproduce existing differences and divergences.

Furthermore, different national schemes of social protection (pensions, health insurance, unemployment insurance, among others) have been tightened against outside interference and 'abuse'—and will not show major tendencies towards convergence in the foreseeable future. The above-mentioned, dominating approach of regulation, the concept of basic or minimum standards, attempts to leave the existing national modes of regulation basically untouched and to create a broad, new supranational frame of reference being adaptable to different national 'customs and practices'.⁹ The only gradual (upward) movement would take place in the few countries below these minimum standards. Only in that narrow regard could one possibly argue that countries have moved closer together. If such processes of convergence happened at all, they were initiated at the national level and caused by real or assumed international competition and the fear of losing competitive advantages, but not by EU initiatives.

3.2. Institutional and organisational arrangements at the macro and sectoral level

As far as institutional arrangements and new structures for representing employees and employers are concerned, two levels, the macro and the sectoral,

must be distinguished. On the employees' side, various national peak associations (DGB, TUC, among others) founded the European Trade Union Congress (ETUC) as their supranational European peak association in 1973. Today, the ETUC is the most representative organisation on the employees' side, consisting of about 60 national peak associations with more than 40 million members (Dolvik 1999). ETUC has a mandate to negotiate on behalf of its members—and uses this mandate within the social dialogue structure at the interprofessional level according to the Social Protocol of the Maastricht Treaty. Internal decisions can be taken by qualified majority vote thus avoiding frequent stalemates which plagued the ETUC in the past.

The sectoral level is probably more than the interprofessional one of crucial importance for different kinds of European regulation, because collective bargaining takes place at this level in the majority of member states. Since the 1970s, national unions founded their sector-specific European Industry Federations (EIF) as supranational representatives of interests. After some amalgamations in the more recent past, there are, at present, 14 EIF, all of which have been regular members of ETUC since the early 1990s.

On the employers' side, the equivalent of ETUC as the supranational peak association is the *Union des Industries de la Communauté Européenne* (UNICE), which was founded already in 1958.¹⁰ Due to differences in the national patterns of organisation, members are either general business or more specific employers' associations, dealing either with economic and/or social issues. For many years, UNICE was interested in lobbying activities only. This strategy, which had been rather 'successful' in preventing far-reaching European regulation, had to be changed to a certain degree after the introduction of the Social Protocol. It gave the opportunity to negotiate and to conclude voluntary framework agreements for the social partners—and, thus, to control processes as well as results. Furthermore, it has to be taken into consideration that individual MNC have developed their own, rather independent forms of representation at EU level.

UNICE has a mandate to negotiate on behalf of its members and makes limited use of this mandate within the social dialogue structure at the interprofessional level. Unanimity within internal decision-making processes is not formally required by statute, but is standard procedure in the vast majority of cases. In contrast to ETUC, UNICE has no elaborated, formal substructure at the sectoral level. If at all, there are associations with rather narrow organisational domains. The informal European Employers' Network has only existed since the early 1990s. Social dialogues, not to mention future collective bargaining with EIF, are very rare exceptions at this particular level.

As the 'agenda setter', the European Commission's DG V ('Employment, Industrial Relations and Social Affairs') is in charge of social affairs in general. It has been the *spiritus rector* of the social dialogue between 'management and labour', the so-called social partners in euro-jargon, even in times when the principle of subsidiarity is supposed to gain in importance. This focal role within a tripartite structure is particularly true at the interprofessional level. If social dialogues at the sectoral level gained in importance, processes of coordination with other, more sector-specific DG (like DG VII 'Transport', DG IV 'Competition', or DG VI 'Agriculture') would be necessary but most likely

difficult to achieve due to conflicting internal interests. All in all, the pattern of interest representation is more 'transnational pluralism' than 'euro-corporatist' in nature.

Different tripartite bodies have existed for quite some time. At least two types have to be mentioned in our context. Joint committees have been appointed by formal Commission decisions in sectors corresponding to one of the common policies (such as agriculture, steel or transport). Informal working groups have either been launched by the social partners themselves on a purely voluntary basis or organized in response to a joint request of the social partners (like in insurance, banks or construction). Both bodies, but in particular the joint committees, fulfilled mainly consultative purposes and tried to develop proposals for sector-specific regulation in times when social integration was of less importance than nowadays. By the end of 1998 both forms were dissolved by the Commissions' Communication Adapting and promoting the Social Dialogue at Community level (COM (98) 322 final) because these old structures 'have become over-institutionalised or have retained operational methods which have outlived their usefulness'. They were substituted by new, unitary social dialogue committees.

Over the years, agreements on labour issues have increased in both number and importance. Nowadays, they are generally accepted and constitute more or less integrated components of the institutional setting of the EU. In contrast to earlier stages of development, the so-called 'social dimension' of the internal market is supposed to be developed and to constitute a necessary completion of purely economic integration. Institutional arrangements like the social dialogue shift responsibility from the Commission towards the social partners. The 'European model' is, because of its emphasis on social policy in general and on labor issues in particular, considered to be different from the Japanese and the USA models of economic, political and societal development (Albert 1991).

The contemporary labour arrangements developed very slowly. Within the history of the EU at least three, maybe even four phases have to be distinguished. In the late 1950s and throughout the 1960s, the original EEC gradually developed into a free trade area, culminating in the abolition of customs in the late 1960s. The popular (or in scientific terms, neo-functional) assumption was that the 'social dimension' would almost automatically follow the economic integration without active steps being necessary ('spillovers'). Active measures were taken in some selected areas only in order to remove barriers to economic integration. Freedom of movement, one of the basic freedoms guaranteed by Articles 48–51 of the Treaty of Rome, was one of the most prominent goals.

The situation was rather different in the 1970s and early 1980s. In a period of oil crisis, worldwide recession, emerging complaints about 'euro sclerosis' and increasing unemployment (after an extended period of full employment in all member states in the 1960s and early 1970s), the 'social dimension' lagged behind. Gender equality (according to Article 119) was the major exception as a policy field where some directives were passed.

During the third stage, since about 1985, the idea of more active steps towards social regulation became more popular. Various national unions and their peak

associations in particular, as well as some national governments and factions of the EP, pushed harder for the 'social dimension'. Because of their generally more active approach to European labour and social policy regulation, the more northern member states have always been the 'driving forces' of social legislation. The obvious exception to this rule was the Conservative UK government that prevented all kinds of supranational regulation throughout the 1980s and early 1990s. It was even able to secure an 'opt out' clause from the Social Protocol.

Since the mid-1980s, when the completion of the Single Market became the ultimate political goal, more active steps towards social integration were undertaken.¹² Nevertheless, real progress was rather limited because for all relevant decisions, unanimity in the Council of Ministers was required—but very difficult to achieve because of this rule. The situation changed to a certain degree when the protracted option of majority decisions was introduced in some selected areas (Article 118).¹³

3.3. *Social dialogues*

General judgments about the evolvement of these arrangements in practice are still difficult and somewhat contradictory (Sörries 1999). For the second half of the 1980s, two answers can be given: emerging social dialogues contributed to the gradual development of mutual understanding and led to a variety of joint opinions and general declarations of will. However, all these results and political signals were not binding for the signatory parties and, therefore, of limited practical relevance.

On the one hand, the Commission, as well as the European peak associations, have regularly argued that real progress has been made, especially since the early 1990s, because of the new institutional arrangements. The Social Protocol constitutes a binding two-step consultation procedure for the social partners and gives priority to negotiations and voluntarily concluded framework agreements instead of legislation. 'Euro-optimists' have always pointed out that the social partners voluntarily negotiated and signed three framework agreements (parental leave in 1995, part-time in 1997, fixed-term contracts in 1999) (Falkner 1998). On the other hand, 'Euro-pessimists' have kept arguing that these agreements do not cope with focal issues of social policy in general or IR in particular and that their contents and impact are rather limited in comparison with already existing national regulation. Furthermore, they stress the fact that various other attempts to conclude framework agreements failed at different stages of the procedure.¹⁴ In these cases the Commission had to fall back on legislation in order to solve these issues (Keller & Sörries 1999).

Drastic changes in the general direction of development are not very likely in the future. Quite the contrary: In comparison with its predecessors, the Santer Commission was not overtly active in social policy issues. 'Consolidation' and 'Implementation' of the already reached results were the catchwords of its rather cautious strategy. The number of new initiatives was very limited; the focus of its activities was the revival of old proposals that had not been solved in the 1980s because of the requirement of unanimity. The new Amsterdam Treaty does not

provide any kind of substantial progress. It is correct to argue that the Social Protocol was included into the revised Treaty; but this step happened without any changes in substance.

The above-mentioned joint opinions at the sectoral level include working time, working conditions, health and safety, vocational training, among others. These efforts were undertaken in more than 20 sectors and resulted in more than 100 joint opinions and recommendations, focusing on EU legislative or regulatory proposals, with social implications for their particular sector. This official overall number of more than 100 is impressive on first glance. However, they are pure recommendations and not binding for the signatory parties. Therefore, unions and EIF would like to change their status towards regular and binding collective bargaining. However, employers' organisations strictly prefer their informal, non-binding nature (e.g. the status quo (Keller & Sörries 1998)).

At the interprofessional level, joint opinions resulting from the 'old' social dialogue cover quite different issues: employment, mobility and freedom of movement, new technologies, organisation of work and adaptability of the labour market, future of social dialogue, vocational training and the role of the social partners, racial discrimination. Together, there have been some 20 joint opinions between the mid-1980s and the mid-1990s. They are, however, also not binding for the signatory parties.

The 'new' social dialogue according to the Social Protocol has led to some results, but at the interprofessional level only. In the majority of cases, these results were not reached by voluntary framework agreements between the social partners. The Commission had to take the initiative after negotiations had failed, solve the impasse and get the Directives passed. In contrast to the above-mentioned 'old' social dialogues, these regulations are binding and have to be adopted at the national level either by legislation or by collective bargaining within limited periods of time (mostly 2 to 3 years). Later on, they have to be implemented at the regional, local and enterprise level. One of the major problems is the fact that there are almost no equivalent results of the 'new' social dialogue at the sectoral level.¹⁵ Meetings do not take place regularly. Either the Commission or the trade union side take the initiative. Basically, employers' organisations want to preserve the status quo of minimal or no supranational legislation, whereas unions would like to broaden social dialogues in scope and develop them towards supranational collective bargaining. The Commission does not want to intervene too frequently and tries to shift major areas of responsibility to the social partners. The principle of subsidiarity seems to be the appropriate instrument (or argument not to say excuse).

3.4. European Works Councils

Another important new structure for representation has been created by the Directive on the 'Establishment of a European Works Council or a procedure in Community-scale undertakings and Community-scale groups of undertakings for the purposes of informing and consulting employees' passed in 1994. It ended a protracted struggle of more than 20 years by introducing some sort of interest representation in all MNC fulfilling certain criteria (at least 1000 employees

within the EU, at least 100 in at least two member states). The extended political stalemate came to its end when unanimous decisions (according to Article 100) were no longer necessary after the Social Protocol had been passed.

The Directive, which member states were required to implement within 2 years (either by collective bargaining or by legislation), granted a period of 3 more years for the establishment of employees' interest representation structures within an estimated 1800 (now formally including the UK) enterprises. It introduces complicated procedural rules (including so-called special negotiation bodies whose task is to negotiate all details with top management) without, however, defining substantial rights or questioning 'management prerogatives' in principal. The establishment of 'flexible' and 'enterprise specific' rules for 'employee participation in management decision-making' is supposed to take place at the individual enterprise level. It will therefore lead to a rather heterogeneous, non-uniform structure in terms of working conditions, not to mention opportunities and constraints of corporate actors with opposing interests.

The tradition of voluntary agreements can be dated back to the mid-1980s; their number increased only rather slowly. Contracts that were signed before the implementation of the Directive at the national level can remain effective if they fulfil certain minimal requirements (so-called Article 13 agreements). Until the deadline for national implementation of the Directive in Autumn 1996, about 400 MNC had introduced some form of interest representation by contracts voluntarily signed by the social partners (Marginson *et al.* 1998).

Interestingly enough we do not know very much about most recent developments (towards so-called Article 6 agreements). It seems, however, as if the number of additional contracts has been rather limited and will grow only very slowly (Kerckhofs 1999). Reasons for this development, that is in clear contrast to former expectations of all actors, are numerous. Corporate management representatives are rather reluctant, interests of employees' representatives at different levels are not always in favour of European regulation, procedures are fairly complex and long-lasting. According to provisions within the EWC-Directive, the political discussion about its revision has already begun and will be rather controversial without leading to major, quick changes.

Because of their basic rights of information and consultation, but not of strict co-determination, EWC (or equivalent bodies of representation) will be able to improve conditions of transnational information and communication. All in all, however, their opportunities will most likely be rather narrow because of the limitation of rights (no so-called veto rights) which will not be very effective in all conflicts of distribution (so-called zero sum games such as decisions about investments or plant closure). Furthermore, there are other major practical problems (language difficulties, low frequency of meetings, no institutional substructure at the national level, general lack of resources, non-defined relationships between EWC and unions, among others). Whether EWC will be able to transform themselves from a mere forum of information and consultation into powerful corporate actors is, for the time being, a completely open question (Lecher *et al.* 1998, 1999). Despite many unresolved problems and emerging difficulties, it has to be admitted that processes of supranational regulation are more advanced

at the enterprise than at other (branch or sectoral) levels because of the existence of this Directive. It will have implications also at the national level.

We know from recent empirical research that EWC in French-dominated MNC usually follow French national principles: Both social partners are equally represented. EWC in German-dominated MNC frequently follow the German pattern of co-determination (e.g. the body consists of employees' representatives only). This result indicates that, within the process of implementation, not only national transposition of supranational legislation but, later on, also national 'customs and practices' are of basic importance. The concept of national 'path dependency' seems to be an adequate analytical approach to explain these trends. The amazing result is that trends towards 'social convergence' are not necessarily characterised by 'considerable similarity in practice'.

3.5. Problems of implementation

In all cases mentioned above, we have to distinguish explicitly between the conclusion and the implementation of regional labour arrangements. Their mere existence does not of course prove their effectiveness. The basic disadvantage is, like in other policy fields, that the Commission has no institutions or instruments of its own in order to implement existing regulation. Therefore, it depends very much on the willingness and the readiness of member states to implement decisions reached at the EU level. In the case of Directives, the member states have no choice on whether to implement or not, but they can choose, as already mentioned above, all means and instruments according to their national 'customs and practices'. The generally existing problems of the implementation period within the 'policy cycle' are even more difficult to solve in the case of European regulation because there is the additional supranational level to bridge.

The fundamental problem concerning existing structures and procedures is that the social partners prefer completely different strategies. ETUC has been dissatisfied with the status quo and, therefore, has frequently demanded more and new activities from the Commission. UNICE has been quite satisfied with the status quo, which contains only a minimum of social legislation and, therefore, serves its interests quite well. UNICE has always been more interested in market regulation for products than for labour. These are the reasons why the term 'more effective integration of labour issues' has a completely different meaning for both sides. Most recent proposals made by ETUC include the following: Improvement of opportunities and rights of EWC, the introduction and implementation of rights of information and consultation within the *Societas Europea* (SE) according to the so-called Davignon report (1997), the introduction of rights of information and consultation at the national level, as well as more active employment and labour market policies.

A majority of national unions (excluding some former communist confederations from France, Portugal and Spain, among others) have supported the idea of regional integration and European unification, sometimes half-hearted though, (almost) from its beginning. The general, not very clearly defined horizon of expectation included not only the hope for peace. It also encompassed more

political integration and social stability, and more jobs because of larger markets and more opportunities to export products. The original hope had been that social integration would be (or could be brought) in line with economic integration and, thus, a 'race to the bottom' could be avoided.

The more recently expressed concerns refer to 'social dumping' in general and to the danger of lower wages and lower labour and social standards, already mentioned. These fears are frequently related to particular industries (for example construction). At least until recently, different national unions did not care too much about 'Europe'. One indicator is the obvious reluctance to transfer resources (manpower, finance, mandates) from the national to the supranational level. Domestic issues were and still are the first priority of unions. This position will probably have to change after the completion of economic integration and the introduction of the common currency.

A more thorough analysis shows that attitudes of different employer groups do differ. Larger MNC are more in favour of integration than smaller- and medium-sized ones. The importance of export markets for either individual enterprises or specific sectors (car industry, machine tools, chemicals, among others) leads to a stronger support of integration strategies. Sectors producing primarily for domestic demand (like different trades or the public sector) have been less supportive. These differences can create problems for business and employers' organisations at the sectoral and macro level because these kinds of interests are difficult to aggregate and intermediate.

4. Regional integration and labour relations

4.1. The social partners

Throughout the 1980s and the first half of the 1990s, the basic dividing line had been between the UK and the continental members of the EU. The UK had the veto power to block all kinds of decisions because of the institutional requirement of unanimity—and, as already mentioned above, made frequently use of this opportunity. Other governments could, of course, easily hide behind this strategy without having to reveal their true preferences. Finally, the UK 'opted out' of the Social Protocol and, thus, created the peculiar problem of a split within European social policy ('two track or two speed social Europe' or *l'Europe à deux vitesses*). This peculiar constellation (so-called 'British gaullism'), which was, however, more important in theory than in practice, changed only after the general election of May 1997. The new Labour government 'opted back in' and, after a certain period of transition, the UK had to adopt all existing European regulation. In the future, the UK will be treated like all other member states.

The other, more structural and lasting 'continental divide' is, roughly speaking, between the southern and the northern member states. Southern states (Greece and Portugal in particular) have lower labour and social standards. They fear that their competitive advantages might be diminished or even disappear if levels of social protection were increased to a considerable degree. Since the 1980s, structural funds (like regional or cohesion funds) have been used to improve economic and social conditions in the poorer regions of the Community. Northern member states (like the Scandinavian countries) enjoy much higher standards of

social protection and face the problem that there is basically nothing they could probably gain at the European level.

Most recently, unions pushed hard to get the so-called employment chapter introduced into the new Amsterdam Treaty. Structural and long-term unemployment (of about 10–11 per cent within the EU in the mid-1990s) has been one of their major concerns, at least since the early 1990s. The rate of participation in the labour force within the EU is (at about 60 per cent) significantly lower than in the USA or Japan (at more than 70 per cent). Unions were supported by some social democratic governments (in Scandinavian countries and Austria). The results of general elections in France and the UK also changed the majority in the Council of Ministers (Goetschy 1999).

The structure of the employment policy *in statu nascendi* will be as follows: At the European level, 'employment guidelines' including certain, in most cases qualitative targets will be defined by the Commission and the Council of Ministers.¹⁶ These general orientations will have to be implemented at the national level by means of so-called 'national action plans'. Processes of yearly monitoring that could include recommendations for individual member states, selective incentives and initiatives will take place at the European level.

For the time being, possible results of this new procedure are difficult to predict. The first 'employment guidelines' were developed in late 1997 and the first 'national action plans' were put together only in Spring 1998. Competencies of the Commission to coordinate different national policies have been increased without, however, launching a genuine and autonomous 'European' labour market and/or employment policy. Sanctions will, in contrast to the rather strict convergence criteria of the EMU, not be available; thus, cooperation of the member states will take place on a purely voluntary basis. Last but not least, major problems of finance and implementation of measures at the national level remain unsolved; questions about the involvement of the social partners by means of social dialogues at the interprofessional and sectoral level are not definitely solved. Generally, the employment chapter provides opportunities for coordination of national strategies only not of European policies in the narrower sense of the word.¹⁷

Gender issues have been on the political agenda of the EU from its beginning. First of all, the 'principle of equal pay for male and female workers for equal work or work of equal value' can be derived not only from the most recent, but already from the very first version of Article 119 of the Treaty on European Union. The only two exceptions from the original reluctance towards regulation of social policy issues are to be found in this area: Social security questions within the requirement of freedom of movement (Article 51) and equality of men and women.¹⁸

Since the mid-1970s, equal rights for men and women have been the subject of different Directives (on the application of the principle of equal pay in 1975, on the application in the Member States of the principle of equal treatment for men and women with regard to ... in 1976, among others) as well as of other official documents.¹⁹ It has been frequently argued that gender issues are regarded as being of great importance for the future social development of the EU.

Furthermore, equal opportunities and sexual equality, equal access to the labour market, to training in general and vocational training in particular, and non-discrimination in regard to conditions of employment has been one of the more prominent issues. More recent steps include, among others, the framework agreement on parental leave (signed by the social partners in 1995) and the Commission's proposal on sexual harassment (1996). Equal opportunities have not only been part of the *acquis communautaire*; they have also been made the 'fourth pillar' of the employment guidelines according to the above-mentioned new employment chapter of the Amsterdam Treaty.

Some directives have been passed and some progress has been made towards the avoidance or abolition of discrimination. But overall results have been very poor for different reasons (Rubery & Fagan 1994; Ostner & Lewis 1995). There are protracted problems of implementation at the national level and strategies of discrimination can change towards more subtle ones. The Commission has been more active in dealing with different aspects of equal opportunity than the social partners who have not tried very hard to cope with these issues within their different activities. Furthermore, different judgments issued by the European Court of Justice have played a prominent role in that regard.

4.2. *National systems of labour relations*

There are also important differences between the IR systems in member states (Van Ruysseveldt *et al.* 1995; Ferner & Hyman 1998). On the one hand, there are 'monistic systems' (like in the UK) where only the enterprise level is of major importance because different kinds of interest representation take place at this level. On the other hand, there are 'dual systems' (like in Germany or Austria) where the enterprise and the branch or sectoral level are of (almost) equal significance. Different forms of interest representation (e.g. formally independent works councils and trade unions) exist at both levels. In these cases a sophisticated division of labour and certain structures of cooperation have to be organised.

Furthermore, fundamental principles of organisation differ (from enterprise to ideological to industrial unionism) and density ratios show enormous differences. They range from about 70 to 80 per cent in some Scandinavian countries and Belgium to about 10 per cent in France, to just indicate the extremes. On the opposite side, there are general business and/or special employers' associations representing general product market and/or special labour market interests; density ratios are usually much higher than on the union side. Last but not least, institutional frameworks are rather different (coverage rates, *erga omnes* principles and clauses, degrees of free collective bargaining/bargaining autonomy including rules about industrial conflict, forms of interest representation at the enterprise and workplace level, among others). Because of these lasting differences, autonomous 'European' collective bargaining and IR will be unlikely to emerge in the future.

Over the last decade or two different national IR systems have experienced not only different forms of 'flexibilisation' (internal *vs* external, functional, temporal, among others) but also some sort of 'decentralisation'. However, it should be kept in mind that forms of 'decentralisation' differ in empirical terms

(regulated *vs* deregulated, controlled *vs* uncontrolled) and that they start from different levels (micro, meso, macro) (Traxler 1996). Their empirical relevance seems to be less significant than expected.

The IR systems of EU members do not display considerable similarities in practice. It is not absolutely clear whether similarities have increased over time because the answers given have been based on the more or less arbitrary selection of empirical indicators. However, low degrees of similarity do not necessarily constitute major problems. In contrast to the past, above-mentioned principles of 'harmonisation', which dominated in the 1970s and early 1980s, the present mode of European regulation does not necessarily require a high degree of similarity. The 'concept of basic or minimum standards' defines only very broad frames of reference allowing 'flexible' adaptation at the national and even 'tailor made solutions' at the enterprise level. This development is supported by another comparatively new trend already mentioned. Procedural dominates over substantial regulation. Acceptance at the national level is easier because of this non-interference with established patterns. European regulation deals with procedures only, while negotiations at the lower levels have to solve all problems of substance. Thus, a peculiar mixture of legislative and collective bargaining elements, so-called *législation négociée*, unknown in many national IR systems, has been under construction.

All corporate actors have learned their lessons well. Presently, the dominating principle is not strict 'harmonisation' but 'mutual recognition' of existing standards by the mere definition of rules about minimum standards which could (and have to) fit quite different national prerequisites and peculiarities. These basic standards are binding and cannot be undercut; however, higher standards remain possible on a purely voluntary, negotiated base. The member states have to implement this kind of supranational regulation within certain periods of time. They are free, however, to choose the appropriate means and instruments according to their own legal IR including 'customs and practices'.

At least so far, the effects of EU labour arrangements on IR practice and institutions in the member countries have not been very far-reaching. The rule within the above-mentioned principle of subsidiarity is that European regulation should only cope with problems created at the supranational level. Different kinds of supranational arrangements do not try to change national IR but to complete them by creating an additional level. If a distinction is made between effects on individual and collective labour relations the former seem to be more important; a relatively dense network of health and safety regulations provides a telling example. Furthermore, if we take up the distinction between 'institutions' and 'practice' of labour relations the latter have changed more than the former. Almost all institutional preconditions, such as national levels of collective bargaining, coverage rates, density ratios on both sides, representativity of associations, and coordination of interest intermediation still differ very much.

Different IR systems have not moved closer together because of the above-mentioned legal-institutional reasons. However, there are some most recent indicators for the assumption that this could possibly happen in the future. Some

national unions (in construction and engineering, among others) have started to develop strategies to coordinate their national bargaining policies. They invite representatives of neighbouring countries (like Belgium, Germany, and the Netherlands) to their regular meetings, formulate common principles and goals (on focal issues like working time and wage demands, among others) and want to return to the so-called 'productivity oriented wage policy' (Schulten & Bispinck 1999).

There are, of course, different implicit institutional assumptions that have to be met if such strategies are to be successful (voluntary cooperation of all unions, internal intermediation of differing interests, employers' and employers' associations reactions, institutional differences at the national level). This approach of transnational coordination is different from strict 'Europeanisation' of interest policies and IR (horizontal *vs* vertical integration). Presently, it is too early to assess these attempts but the purely informal character of this new network could create major difficulties. Furthermore, employers' reactions will not be overtly positive.

Last but not least, it has to be pointed out that there are qualitative, fundamental differences between cross-border collective bargaining and social dialogues, a fact recognised by employers' representatives but often neglected by trade unionists, as well as some outside observers. The former is bilateral by nature and includes by definition the opportunity of industrial action if necessary and/or appropriate whereas the latter is trilateral (including the Commission) and, as mentioned above, explicitly excludes not only the strike option but also core issues (like wages). Therefore, social dialogues cannot be regarded as functional equivalents of collective bargaining.

Cross-border collective bargaining constituting an equivalent to the national level does not take place within the EU for different reasons: Institutional and legal prerequisites do not exist. As already mentioned above, the Social Protocol as well as the new Amsterdam Treaty explicitly exclude core problems, such as collective bargaining, especially wages and the right to strike and/or to lock-out. Furthermore, the interests of both sides point in opposite directions. Employers have not been interested in any kind of supranational bargaining because the status quo of bargaining at the national level serves their interests better. Their associations are either too fragmented and too weak in terms of resources (mandates, among others) or do not exist at all. Therefore, unions, or to be more precise their EIF, being very much in favour of supranational bargaining, have no partner to negotiate and to sign agreements.

The overall IR situation in the member states has not had a major impact on the 'domestic political acceptability' of deeper international cooperation in the area of FDI. Recent heated public discussions focus on the likely effects FDI could have on the number of domestic jobs. However, it is more a general discussion about the assumed effects of 'globalisation' than of 'Europeanisation'. Both trends should be separated in analytical terms. Within the general public, the basic popular assumption is that FDI leads more or less automatically to considerable job losses at home. This pessimistic assumption is, as indicated above, not supported by the results of more recent empirical research.

On the other hand, the 'domestic political acceptability' seems to be different in the area of trade. Deeper international cooperation is regarded to produce advantages for domestic industries because of more opportunities to export. It is indeed true that intra-EU trade has grown not only in absolute, but also in relative terms (see above for details). This overall, macro impression can easily be changed in regard to particular sectors. The outlook in construction, for example, is more pessimistic because of the problem of posted workers.

Generally, one should argue that the national IR systems are one but only one determinant of investment decisions. The northern member states should have some advantages because of the development and the stability of their IR. Other factors, however, might work in favour of southern member states.

4.3. Conflicting national issues and conflicting interests

'Regulative competition' or 'regime shopping' on a worldwide scale, as well as within the regional block of the EU, have been issues of major concern especially since the 1990s. The general, widely shared assumption is that the southern member states would have competitive advantages in attracting FDI. Furthermore, the Conservative British governments argued over and over again that they were not interested in any kind of European social legislation because it would decrease or even eliminate the attractiveness of the UK for FDI.

Decisions about delocalisation are almost impossible to mediate at the supranational political level because their character of so-called zero sum games. The gains of one partner are the losses of another belonging to the same regional grouping. It is almost impossible to imagine why and how interests at the regional level should or could dominate purely national ones.²⁰ The situation seems to be even more complicated. Some scholars have argued that it is not the delocalisation itself, but the threat of it that really makes the difference. The credible threat to withdraw already leads to concessions (in terms of wage freezes or even reductions, flexibilisation and/or length of working time, among others). In the situation of the 1990s, these threats could include not only other EU member states but also eastern European countries like Poland, the Czech Republic or Hungary.

Reactions of the social partners to these strategies have pointed in opposite directions. On the one hand, national and supranational unions (EIF) have kept complaining heavily about such situations without, however, being able to solve the problems themselves. Furthermore, it is difficult to see which effective measures could be taken by EWC if they existed at all in these enterprises. On the other hand, employers and their organisations have frequently argued that such events are the natural consequence of the opening of national markets and cannot or should not be avoided for reasons of efficiency. In this perspective, 'regulative competition' creates incentives, not disadvantages to 'flexibilise' labour relations and 'rigid' labour markets at different (especially national) levels.

Strategic alliances, including *ad hoc* ones, are difficult to develop at all levels. Even if regional authorities or national governments shared the unions' view, they would not be able to prevent final decisions about delocalisation. Such situations constitute more an insurmountable constraint than an opportunity. The

development of regional representation happens despite, not because of, these situations. Emerging patterns of cooperation (like EWC) are not very helpful in all cases of strictly opposing interests. New modes of regional representation can be attractive in cases of possible mutual gains. Last but not least, the danger of 'incentive competition' includes that it could create a 'race to the bottom' of working conditions if attempts to undercut others' offers are repeatedly undertaken.

5. CONCLUSION AND FINAL REMARKS

The overall impacts of regional labour arrangements are difficult to assess because the density of regulation differs very much among policy fields. As already mentioned above, health and safety issues belong to the densely regulated issues, while collective bargaining issues are only partially covered. Framework agreements resulting from social dialogues at the interprofessional level do not cover focal issues of IR. This situation results mainly from the employers' resistance against any kind of European regulation. Furthermore, it is also true that not all member states have ever favoured European labour arrangements and that the Commission has not been overtly active—and if so, at the interprofessional level only. One typical fear among southern members has been that they could lose their competitive advantages if regulation levels were too high.

There is not much reason for optimism about the future prospects of labour arrangements because it is difficult to see why and how profound major changes should happen. There might be some progress in particular policy fields, but the broad political acceptance of an encompassing 'floor of labour rights' across the region is not very likely. Furthermore, there are rather different perceptions about the relationship between social and economic integration: One (social democratic and trade union) strategy prefers an equal and, if possible, parallel development and stresses the interdependency of both fields. The other (neoclassical or neo-liberal and employers) concept is interested in economic integration only and considers the 'social dimension' as an unnecessary, but unavoidable evil. The answer about the overall impact of regional labour arrangements on greater economic integration depends on the preference of concepts.

As indicated above, the most important causal factor for the lagging 'social dimension' and the relatively low number of regional labour arrangements has been the general resistance of employers and their associations. Furthermore, not all countries were in favour of supranational labour arrangements at any time. Southern member states have been more reluctant than their northern counterparts. On the other hand, union demands for European regulation and more regional labour arrangements have been backed by some (in most cases non-conservative) governments, (some parts of) the Commission and (some, non-conservative parts of) the EP.

Since the completion of the internal markets in the early 1990s, not to mention the introduction of the EMU in 1999, the EU is the regional block with the highest degree of economic integration. European integration has become 'the most far-reaching regional integration process among states' (Falkner 1998, 4). Furthermore, the EU has, again in clear contrast to the vast majority of other

regional blocks, tried to gradually develop its 'social dimension' and has achieved more than others.²¹ As indicated, there are contradicting opinions about the success or failure of these attempts. However, it seems justified to conclude that at least some progress has been made if we compare the present situation with the minimalist ideas of the original Treaty of Rome. Nevertheless, the past and present social policy consists of a 'patchwork of minimum social standards' instead of a homogeneous 'European social model'. At least so far, the EU has not succeeded in closing the considerable gap between economic and social integration. Quite the contrary, the gap between both dimensions widens despite the fact that some progress has been made in the social policy area. The speed of economic integration has accelerated over the last one to two decades whereas the speed of social integration has been and still is much lower. The development of 'European' IR or a 'European' welfare state including labour standards is definitely not on the political agenda.

In the future, the crucial problem of stepwise (eastern) enlargement constitutes one of the major differences between western Europe and other regional blocks. On the one hand, there is the undisputed necessity to integrate the former communist countries in order to support their economic, political and social development. On the other hand, the existing principles and methods of political decision-making (like the composition of the Commission and the Council of Ministers, unanimity *vs* qualified majority decision-making) and the rules of redistribution within social policy (like social and structural funds working in favour of poorer member countries and/or regions) will have to be drastically changed before more countries can be integrated. The old strategy of accepting new members without changing the institutional infrastructure will not be viable any more. Another most recent concern has to do with the consequences of this forthcoming 'eastern' enlargement for EU labour markets. Serious consequences for certain national labour markets (like the German or the Austrian ones) are likely to happen if entrants (especially from Poland as the biggest country) are granted the freedom of movement from the very first beginning.

The Amsterdam Treaty did not solve these well-known problems of 'deepening versus widening' despite an urgent political need to do so. Nobody doubts the fact that the enormous differences between 'insiders' and 'outsiders', in terms of economic and social development, will be extremely difficult to bridge. None of the present members wants to pay more—quite the contrary. These imminent problems might help to explain the reluctance of (at least some of) the present member states to agree to an exact timetable or to even increase the speed of enlargement.

NOTES

1. In political science these processes have been called 'negative integration' in contrast to 'positive integration' (i.e. the development of coordination strategies and joint institutions (Scharpf 1999)).
2. Africa is the only major exception as far as regional distribution of FDI is concerned. All in all, 'the world economy is characterised by a high degree of subglobal segmentation' (Traxler/Woitech 1999, 6).

3. Last but not least, it has to be taken into regard that, in clear contrast to FDI in industrial sectors, FDI in different service sectors have been fairly neglected (Henneberger/Graf/Vocke 2000).
4. A most recent discussion tries to cope with the protracted problem of harmonisation or least adaptation of different systems of national taxation in order to prevent 'unfair competition' and downward spirals by means of lower taxation.
5. The realistic assumption seems to be that illegal migration into the EU (especially from the Maghreb states and from eastern Europe) is and will continue to be more important.
6. Exceptions are Belgium, France, Germany, Luxembourg and Austria. However, in some countries, including Denmark, Finland, Greece, Italy and Spain, the rate is below two per cent.
7. The other, so-called monetary criteria were low consumer price increases and low long-term interest rates.
8. Agriculture has played a dominant role from the very first beginning. The originally important coal and steel industries lost in importance because of their secular decline. Some entrants (like Austria in the mid-1990s) managed to negotiate some special rules for limited periods of transition.
9. The Posting of Workers Directive (1996) is one recent example; others could be found in the area of health and safety. An interesting case will be created by the Directive on 'national information and consultation' launched by the Commission in Autumn 1998.
10. Furthermore, there is a second employers' organisation, the Centre Européen de l'Entreprise Publique (CEEP), the association of public enterprises, but not of public employers. CEEP participates in social dialogues at the interprofessional level, among others. However, the far more important organisation is UNICE; for that reason, our analysis will not deal with CEEP.
11. Major steps were: White book 1985, Single European Act 1987, Community Charter of Fundamental Social Rights and its action program 1989, Social Protocol 1992.
12. Improvement, in particular, of the working environment to protect workers' health and safety, their working conditions, the information and consultation of workers, the integration of persons excluded from the labour market, sexual equality with regard to labour market opportunities and treatment at work. However, unanimous decisions are still required in the following areas: social security and social protection of workers, protection of workers where their employment contract is terminated, representation and collective defence of the interests of workers and employers, including co-determination, conditions of employment for third-party nationals legally residing in Community Territory, financial contributions for promotion of employment and job-creation.
13. These cases were: European Works Councils in 1993/94, burden of proof in 1995, sexual harassment in 1996, information and consultation at the national level in 1998, among others.
14. Only in 1997 the first framework agreement dealing with regulation of annual maximum working hours was signed by the social partners in agriculture. The second framework agreement, also dealing with the qualitative issue of working time, was signed in the maritime and rail industries; it will be converted into a proposal to the Council for EU legislation. Predictions about the empirical impact of these most recent agreements are almost impossible for the time being.
15. The currently over 20 guidelines can be summarised under the heading of four so-called pillars: improving employability, developing entrepreneurship, encouraging adaptability in businesses and their employees, strengthening equal opportunities policy.
16. There are some hopes that its opportunities might look brighter after social democratic governments have been elected in the bigger member states (France, Germany, UK).
17. Since the late 1980s health and safety issues have become a 'third pillar'.
18. They include, among others, the Social Charter of the late 1980s, the Green Book and the White Book on Social Policy of the mid-1990s, implementation of the employment chapter of the Amsterdam Treaty in the late 1990s.
19. The most famous case in the existing literature was probably the decision by Hoover, made in the early 1990s, to close its plant in France and to start a completely new production site in Scotland. Scottish unions gave up some of their basic rights, like the right to strike, and thus helped to attract FDI.
20. Interestingly enough, Teague (2000, 13) concludes 'the ironic point where the EU social dimension is so tied into a constitutional-building project that its relevance to the other regional trading blocs may be rather limited ...'

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